



Indiana State
Treasurer's Office

ICTA ANNUAL CONFERENCE 2016

CLARKSVILLE, IN



2016 Public Funds Management Seminars (3 Credits)



Indiana State
Treasurer's Office

Join Treasurer of State, Kelly Mitchell, and key staff members to learn more about a host of timely and important subjects. Topics will include: investing options for local governments, assessment of risk, finding low cost financing when borrowing, deposit insurance and today's economy.

September 7, 2016

Bartholomew County
Zaharakos Ice Cream Parlor
329 Washington Street
Columbus, IN 47201

September 21, 2016

Jasper County
Fair Oaks Farms
856 N 600 E
Fair Oaks, IN 47943

October 19, 2016

Delaware County Erskine Institute
at Courtyard by Marriott
601 South High Street
Muncie, IN 47305

October 26, 2016

Fountain County
Beef House Restaurant
16501 N State Road 63
Covington, IN 47932

THE INDIANA STATE TREASURER'S OFFICE AND RESPONSIBILITIES



Indiana State
Treasurer's Office

The Indiana State Treasurer has official duties granted by the Indiana Constitution and various duties assigned by the legislature.

By Indiana Constitution, the Treasurer serves as the State's Chief Investment Officer

Additional duties assigned by the State Legislature:

- Chairman of the Indiana Bond Bank
- Chairman of the Indiana Education Savings Authority
- Secretary/Investment Manager of the Board for Depositories
- Chairman of the 911 Board
- Member of the State Board of Finance
- Sole Trustee of the Indiana State Police Pension Fund
- Member of the TrustIndiana Committee
- Member of the Deferred Compensation Committee
- Member of the Indiana Finance Authority
- Member of the Indiana ABLE Committee
- Member of the Indiana Cultural Arts Board
- Member of the Indiana Grain Indemnity Board
- Member of the Indiana Community Housing Development Authority
- Member of the Indiana Community Business Credit Corporation

LEGAL ASPECTS OF PUBLIC INVESTING



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Goals for investment of public funds:

Safety, Liquidity
and Yield

Diversification
of Investments

Legally eligible
investments that
comply with the
Indiana Code
(IC 5-13 et. Seq)



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BANKING & INVESTMENTS

AND THE INDIANA CODE



AUTHORIZED BANK PRODUCTS (DEPOSIT ACCOUNTS)



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- DDA Checking Accounts
- Negotiable order of withdrawal (NOW) accounts
- Passbook savings accounts
- Certificates of Deposits (CDs)
- Money Market Accounts
- Any Interest – bearing account that is authorized and offered by a financial institution in the course of its respective business

PDIF INSURED ACCOUNTS



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Make sure your deposits are PDIF insured

- Are they Public Funds? (IC 5-13-4-20)
- Fees and funds in the possession of a "Public Officer" by virtue of that office

PDIF covers losses above FDIC limits

www.in.gov/tos/deposit/files/approveddepositories.pdf

HOW TO MAXIMIZE YOUR FDIC INSURANCE



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- FDIC coverage of \$250,000 per depositor
- Certificate of Deposit Registry Service (CDARS)
- Allows a depositor to maximize FDIC Coverage
- Allowed by IC 5-13-9-5.3
- Funds placed in CDARS depository are then exchanged with other participating depositories in lots of \$250,000 to maximize FDIC coverage
- Initial deposit must be with an approved depository

TRANSACTION ACCOUNTS

See IC 5-13-9-4(a)



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Special rules for political subdivisions

- Must establish transaction accounts in depositories with branches within political boundaries
- Exception for political subdivisions that cross county lines or those without a depository within its boundaries (or only one), or if no depository will offer a transaction account

Does not apply to
county hospitals

CERTIFICATE OF DEPOSIT REQUIRED PROCEDURES

See IC 5-13-9-4(b)



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Every investing officer must obtain 3 quotes on the specific rate of interest for the term of the certificate of deposit

- The quote may be taken by phone
- The quote must be recorded in a memorandum
- The quote must be retained as a public record
- If the deposit is not placed in the institution quoting the highest rate, the fiscal officer must note the reason why
- Can invest in CDs from any depository on state's approved list if county commissioners or political subdivision's fiscal body passes resolution authorizing it (renewed every two years)

See IC 5-13-9-5 (A)

MONEY MARKET MUTUAL FUNDS

See IC 5-13-9-2.5



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Money Market Mutual Fund requirements:

- Must be rated AAA, or its equivalent, by Standard & Poors or Aaa, or its equivalent by Moody's
- Purchase, sells, or holds direct obligations of the United States Treasury or other obligations issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise
- Must be purchased through an institution on the state's approved depository list
- Must have a final stated maturity of one day

INVESTMENTS IN ELIGIBLE SECURITIES

See IC 5-13-9-2



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Securities backed by the full faith and credit of the United States Treasury or fully guaranteed by any of the following:

- The United State's Treasury (Notes and t-bills)
- Federal agency (Government National Mortgage Agency)
- Federal Instrumentality
- Federal government sponsored enterprise (Federal Home Loan Bank)
- Securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a government sponsored enterprise
- Certain municipal securities - **See IC 5-13-9-2 (a)(3)**

SECURITIES – CRITICAL CRITERIA



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- Use of a broker-dealer that is SEC licensed
- Use of a custodial bank that is on the state's approved depository list or has combined capital and surplus of at least \$10 million
- Securities may have a maximum maturity of 2 years unless authorized (up to 5 years) by a properly adopted investment policy under 5-13-9-5.7

REPURCHASE AGREEMENTS

See IC 5-13-9-3



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- An agreement involving the purchase and guaranteed resale of securities
- Can be a one time commitment or an ongoing commitment
- Must have a final stated maturity of one day (overnight)
- Must be fully collateralized
- Must be made through a depository on the state's approved depository list

LOCAL GOVERNMENT INVESTMENT POOL

See IC 5-13-9-11



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- Established within the office and custody of the treasurer of state
- An officer may pay any funds held by the officer into the investment pool for the purpose of deposit, investment, and reinvestment of the funds by the Treasurer of State on behalf of the unit of government paying the funds into the investment pool

LOCAL BOARD OF FINANCE

See IC 5-13-4-19



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Local Board of Finance Members

Each local board of finance *SHALL* meet annually after the first Monday on or before the last day of January to complete the following:

- From the board's membership, elect a president and a secretary
- Receive and review the report required by IC 5-13-7-7
- Review the overall investment policy
- The report must contain a summary of all investments made during the previous calendar year

Cities, towns,
and county
hospitals are
exempt from
meeting
requirements

Local Board of Finance Responsibilities

Each local board of finance *SHALL* meet annually after the first Monday on or before the last day of January to complete the following:

- From the board's membership, elect a president and a secretary
- Receive and review the report required by IC 5-13-7-7
- Review the overall investment policy
- The report must contain a summary of all investments made during the previous calendar year

Consult your county attorney or counsel regarding this requirement

POLITICAL SUBDIVISION INVESTMENT POLICY

See IC 5-13-9-5.7



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The fiscal body of a subdivision may adopt an investment policy authorizing the investment of public funds of the political subdivision for more than 2 years and not more than five years.

The policy must:

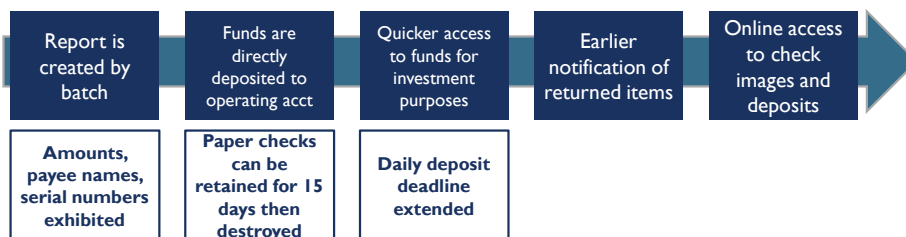
- Be in writing
- Be adopted at a public meeting
- Provide for investment of public funds with the approval of the investment officer
- Provide that the investments must be made in accordance with this article
- Limit the total investments outstanding under this section to not more than 25% of the total portfolio of public funds invested by the political subdivision including balances in transaction accounts AND
- State a date on which the policy expires, which may not exceed four years

BANKING SERVICES: REMOTE CAPTURE



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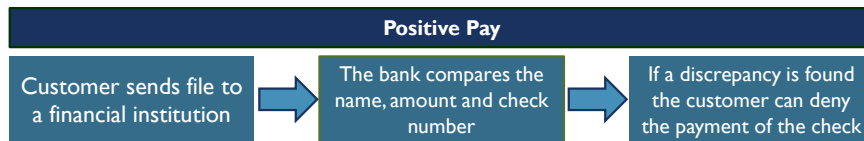
Remote capture/Image Transmission is the process of scanning and transmitting electronic images of paper checks to financial institutions



BANKING SERVICES: POSITIVE PAY



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Benefits

- Reduces fraud
- Financial institutions can return the images of questionable checks quicker to bank of first deposit
- Reduction of customers collection items

BANKING SERVICE: CHARGE CARD PROCESSING



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Charge card payments can be accepted by county organizations, schools, or towns by joining the State of Indiana's charge card contract with Value Payments System, Inc.

Contact:

Katie Potter
Financial Portfolio Contract Manager
Indiana Department of Administration
Indiana Government Center South
402 W. Washington St., RM W468

Phone: 317-234-4998

Email: kpottel@idoa.in.gov

BANKING SERVICES & TREASURY MANAGEMENT



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- Questions on banking services:
 - Deposit accounts
 - Lockbox, remote capture
 - Positive pay
 - ACH and wire transfers
 - Charge Cards processing
 - E-Check payments
 - Direct deposit
- Suggestions on improving the processing of revenue or payments. Ways to decrease bank fees. Possibly earn interest on checking accounts to help offset fees.
- General operation questions both for accounts receivable and accounts payable.
- Contact Kim Logan at 317-233-0921 or email Klogan@tos.in.gov

QUESTIONS OR COMMENTS



Indiana State
Treasurer's Office

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Deputy Treasurer

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www.in.gov/tos/

Portfolio Manager

Kim Logan
Deputy Treasurer

Indiana Treasurer of State's Office
302 W. Washington St., IGC-S E016
Indianapolis, IN 46204
317-233-0921

Klogan@tos.in.gov
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Treasury management , Banking
products and services, or general
operational questions.



Local Government Investment Pool



TrustINDiana:
An Alternative Investment Option for Local
Governments

Presented by

Cindy Barger
Director, TrustINDiana
Indiana State Treasurer's Office

Summary

- Program Highlights
- LGIP Overview
- Portfolio Update
- Market Outlook



Program Highlights

General Information

- Authorized by the Indiana General Assembly's passage of Indiana Code 5-13-9-11 during its 2007 session
- TrustIndiana opened in February 2008 after an extensive due diligence and development process
- TrustIndiana is open to all local units of government including the State of Indiana
- Participants share a common pool of investments which stresses:
 - Safety – preservation of principal
 - Liquidity – same day access to funds
 - Yield – maximizes returns using economies of scale

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Program Highlights

Safety

With TrustIndiana, the SAFETY of public funds is paramount

- Invests strictly in securities allowable by Indiana law
- Assets held by a third-party custodian (Bank of New York)
- Fund portfolio managed by professional team with over 20 years of experience
- Annual audit performed by an independent auditing firm
- At least 50% of portfolio funds held in Indiana banks

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Program Highlights

Liquidity

TrustIndiana offers daily LIQUIDITY to all Participants

- Actively managed to ensure that cash is readily available
- Dollars invested today are available tomorrow with interest
- No withdrawal penalties
- No transaction or wire fees*
- Maximum weighted average maturity (WAM) of 60 days or less

*You may incur fees associated with wires and/or ACH transactions by your bank, but there will be no fees charged from TrustIndiana for such transactions.

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Program Highlights

Yield

Program optimizes YIELD while maintaining safety

- TrustIndiana has maintained a competitive yield despite recent economic turbulence
- Serves as a diversification tool and offers larger scale investment options to smaller entities
- Portfolio managers have extensive fixed income/public sector expertise
- Returns are calculated and paid daily

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Program Highlights

Convenience

TrustINDiana was designed with CONVENIENCE in mind

- MYACCESS feature allows for fast, safe and secure online transaction processing and reporting access
- Funds transferrable via wire or ACH
- Experienced and professional client service team
- Monthly reporting, newsletters, economic updates and yield information all available online or via email

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TrustINDiana Daily Yield (May 2015 – July 2016)*



*Past performance does not guarantee future results, yields can vary over time. Daily yield is the dividend factor multiplied by the number of days in the year. Any financial and/or investment decision may incur losses.

Source: Public Trust Advisors

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TrustIndiana Daily Rate for July 25, 2016:

0.46%*



*Past performance does not guarantee future results, yields can vary over time. Daily yield is the dividend factor multiplied by the number of days in the year. Any financial and/or investment decision may incur losses.

Source: Public Trust Advisors

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How to open Your TrustIndiana Account

- No Resolution or Ordinance required
- See Registration Forms in packet provided (or online), and complete:
 - Account Setup, Key Contact/Authorized Signers, Bank Authorization, Subaccounts
- Finalize with authorized signature and email or fax paperwork to Client Services
- Account can be ready for use as soon as the next business day

For questions about the Registration Process, please contact:

Cindy Barger
 Director, TrustIndiana
 200 W. Washington St., Suite 242
 Indianapolis, IN 46204
 Phone: 888-860-6242
 Email: cbarger@tos.in.gov

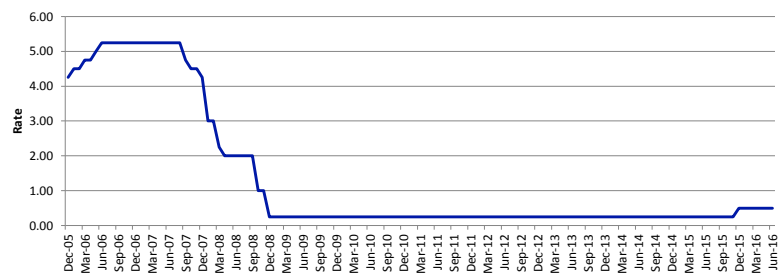
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Investment Update

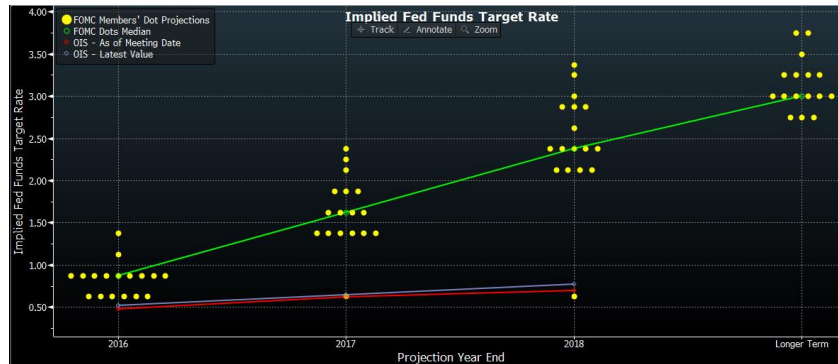
Economic Overview

Fed Funds Target Rate



- The Federal Reserve increased its target rate to a range of 0.25% to 0.50% on December 16, 2015
- The Fed's Mandate - maximum employment and price stability
- Since the 2007-2008 Global Financial Crisis the Fed has lowered interest rates to promote borrowing for capital investments and spending on goods and service

FOMC Dot Plot – March 2016

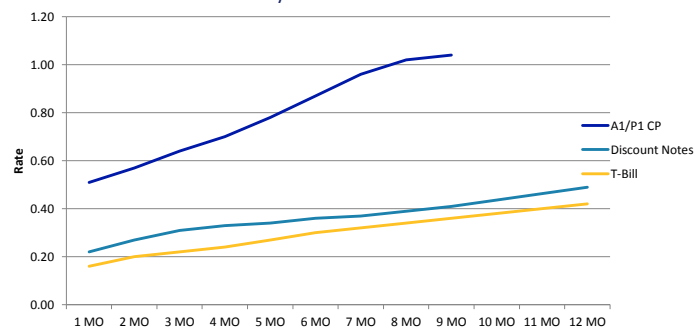


Source: Bloomberg

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Economic Overview

Money Market Yield Curves



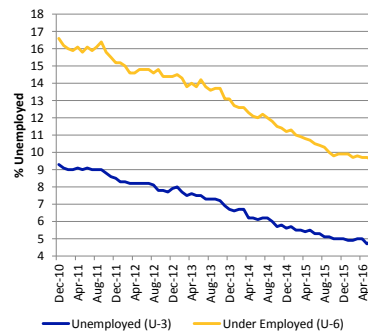
- Yield spread between Treasuries and Discount Notes remains historically tight
- Adding credit in the form of commercial paper can enhance the yield of the portfolio
- Money market yields have risen following the FOMC rate increase in December 2015

Source: Bloomberg

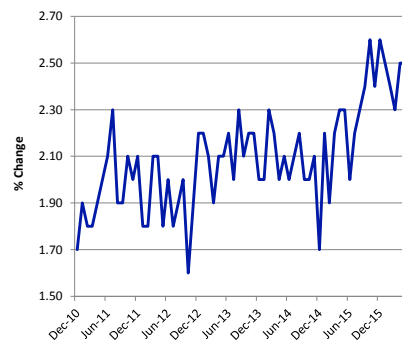
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Economic Overview

US Unemployment Rate



US Average Hourly Earnings



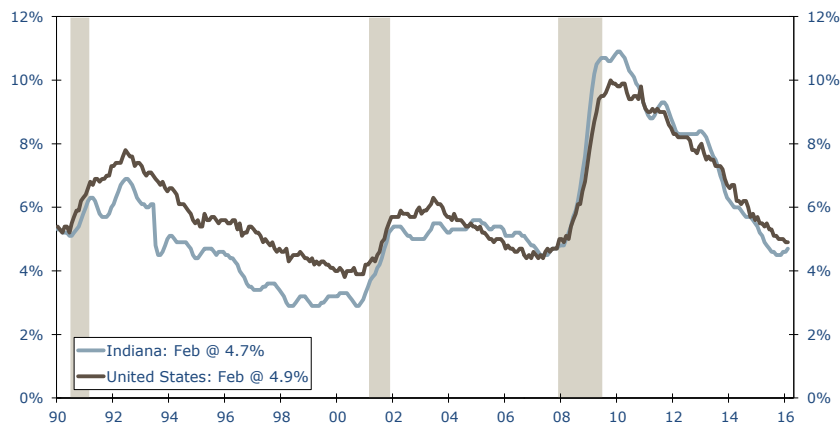
- The unemployment rate is at 4.9% which is the lowest since February 2008
- Despite the improving labor market, wage inflation is still increasing at a moderate pace

Source: Bloomberg

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Indiana vs. U.S. Unemployment Rate

Seasonally Adjusted

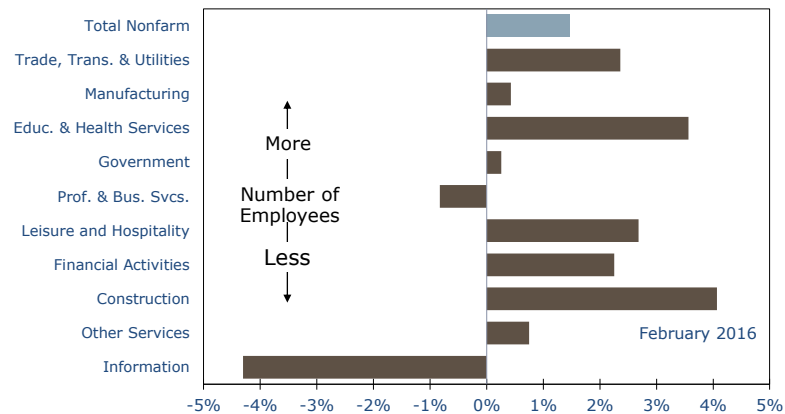


Source: Wells Fargo

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Indiana Employment Growth By Industry

Year-over-Year Percent Change, 3-MMA

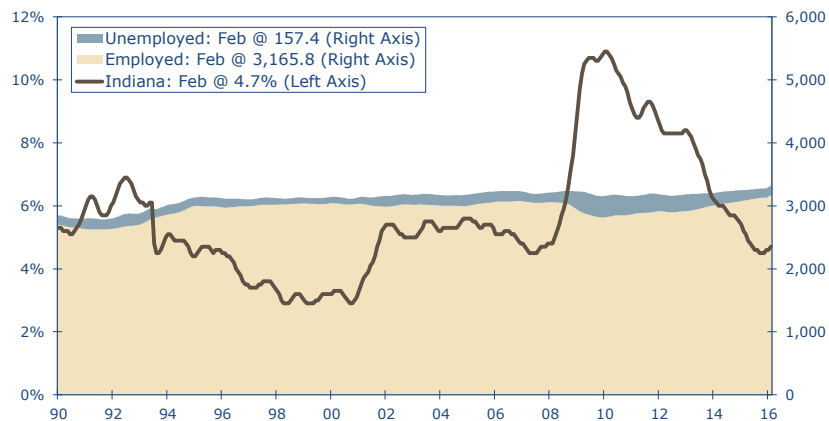


Source: Wells Fargo

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Indiana Unemployment & Labor Force

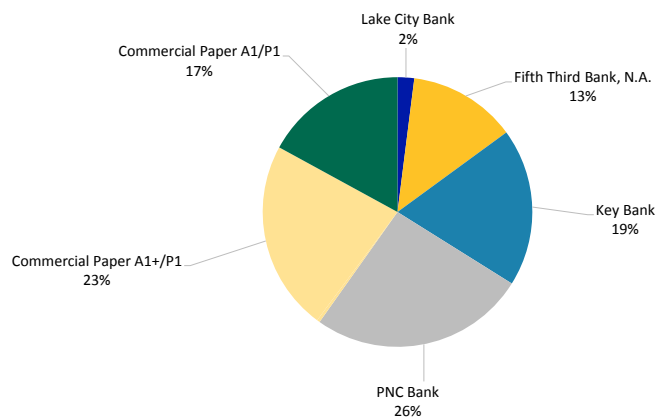
Percent, Thousands of Workers, Seasonally Adjusted



Source: Wells Fargo

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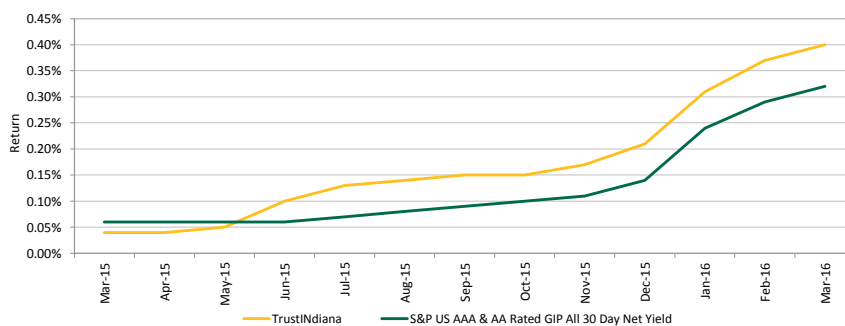
Asset Allocation as of June 30, 2016



Source: Public Trust Advisors

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TrustIndiana vs. S&P AAA/AA GIP* - Comparison of 30 Day Net Yields

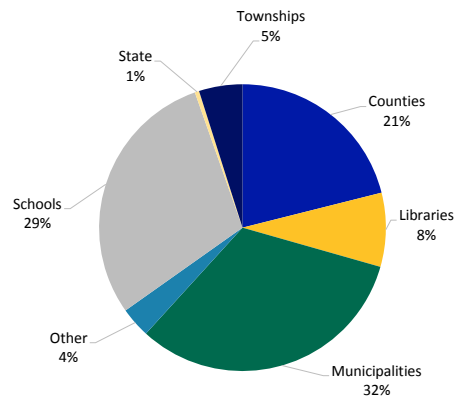


*The benchmark, the S&P US AAA & AA Rated GIP All 30 Day Net Yield (LGIP300) is a performance indicator of rated GIPs that maintain a stable net asset value of \$1.00 per share and is an unmanaged market index representative of the LGIP universe. The S&P benchmark utilized in this comparison is a composite of all rated stable net asset value pools. GIPs in the index include only those rated based on Standard & Poor's money market criteria. Pools rated 'AAAm' provide excellent safety and a superior capacity to maintain principal value while those rated 'AAm' offer very good safety and a strong capacity to maintain principal value (Source: Standard & Poor's website, 5/27/2015.) The comparison between this index and the portfolio may differ in holdings, duration and percentage composition of each holding. Such differences may account for variances in yield. Public Trust Advisors, LLC took over the management and advisory services effective May 1, 2015. All data prior to this date is from the previous Investment Advisor. As both Investment Advisors adhered to the investment policy there may be variances in yield, weighted average maturities and portfolio composition due to differing investment styles. Past Performance is no guarantee of future results. Any financial and/or investment decision may incur losses.

Source: Public Trust Advisors and Bloomberg

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Participant Accounts by Entity Type as of June 30, 2016



Source: Public Trust Advisors

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Questions/Comments

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Disclaimer

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The investment advisor providing these services is Public Trust Advisors, LLC (PTA), an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended. Registration with the SEC does not imply a certain level of skill or training. Additionally, this registration provides no guarantee of return or protection against loss.

The information presented is unaudited and is deemed to be accurate to the best of our knowledge.

Performance comparisons will be affected by changes in interest rates. Investment returns fluctuate due to changes in market conditions. Investment involves risk, including the possible loss of principal. No assurance can be given that the performance objectives of a given strategy will be achieved. **Past Performance is no guarantee of future results. Any financial and/or investment decision may incur losses.**





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INDIANA BOARD FOR DEPOSITORIES

KEEPING LOCAL FUNDS SAFE



What is the BFD?



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Overview

- Quasi-Governmental Agency
- Created by 1937 by IC 5-13-12 in response to bank failures during the Great Depression
- Keeps a list of approved depositories
- Manages the operation of PDIF
- Manages collateral to protect public funds
- The Treasurer is the Secretary/Investment Manager
- Governor, or his designee, is the Chairman

What is the PDIF?



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Insurance Fund:

- Covers the full amount of public funds over and above the amount covered by FDIC
- Deposit Accounts
- Unique to Indiana and a benefit to public entities
- 0.2% - 0.4% higher interest rate on public deposits
- \$300 million in assets
- Funded by fees on banks that could be deducted from the interest paid to public funds depositors

What are "public funds"?



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Public Funds defined by IC 5-13-4-20:

- Sec. 20. "Public Funds" means all fees and funds of whatever kind or Character coming into possession of any public officer by virtue of that office
- The term does NOT include: support payments made to the clerk of a circuit court under IC 31-16-9 (or IC 31-1-11.5-13 before its repeal) OR proceeds of bonds payable exclusively by private entity

Who is a "public officer"



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Public Officer defined by IC 5-13-4-21

- Sec. 21. "Public Officer" means any person elected or appointed to any office of the state or any political subdivision.
- "Public officer" includes any officer of all boards, commissions, departments, institutions, and other bodies established by law to function as a part of the government of the state or political subdivision that are supported wholly or partly by taxes or fees.
- "Public officer" does not include an officer of an independent body politic and corporate set up as an instrumentality of the state but not constituting a political subdivision

Who is a "Public Officer"?

- Any person elected or appointed to any political subdivision
- An officer of all: Boards, Commissions, Departments, Institutions, other bodies that function as a part of political subdivision. Supported wholly or partly by:
 - Appropriations from the treasury of the political subdivision
 - Taxes and fees

Who can become an approved depository?



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Eligible Approved Depositories

- A bank headquartered in Indiana or a national bank with a branch in Indiana
- A federal chartered savings association with a headquarters in Indiana or a branch in Indiana
- A federal chartered savings bank with a headquarters in Indiana or a branch in Indiana
- A state chartered credit union in Indiana that has assets of 3 million dollars or more with a headquarter in Indiana or a branch in Indiana

Collateral Requirements



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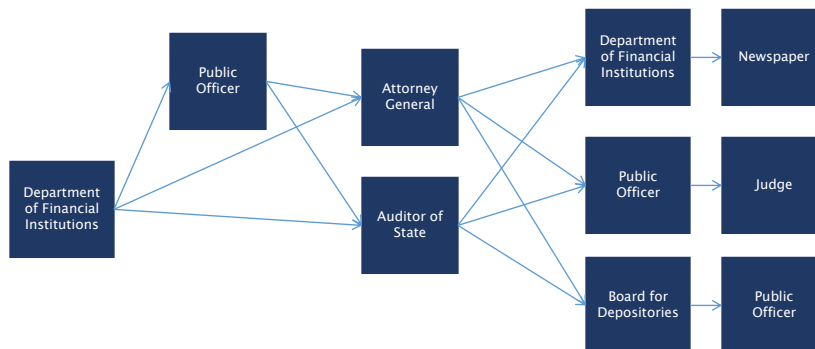
Collateralization Matrix (Based on Bank Insight National Ratings gathered from SNL Financial)

Bank Insight National Rating	Collateral Rate	Collateral Basis	Pledge or Pledge and Deliver
40 – 99	0%	N/A	N/A
20 – 39	50%	Average Daily Balance for the previous quarter	Pledge
0 – 19	100%	Actual Balance	Deliver

Recovery Process for public funds in a closed depository



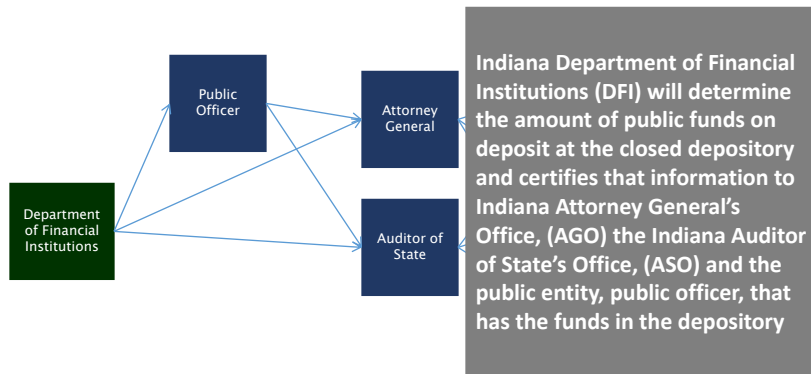
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Recovery Process for public funds in a closed depository



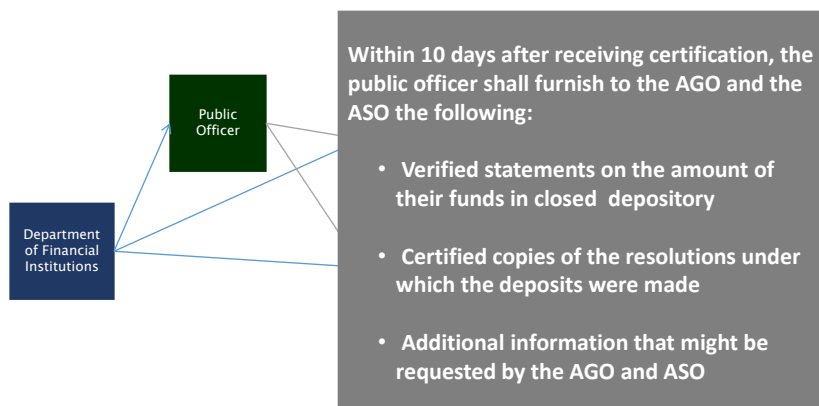
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Recovery Process for public funds in a closed depository



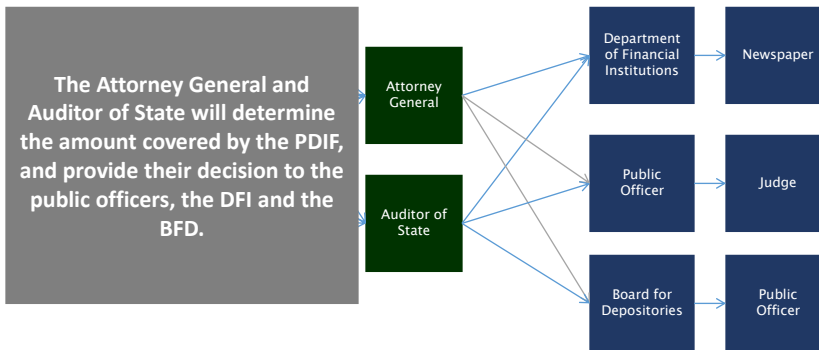
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Recovery Process for public funds in a closed depository



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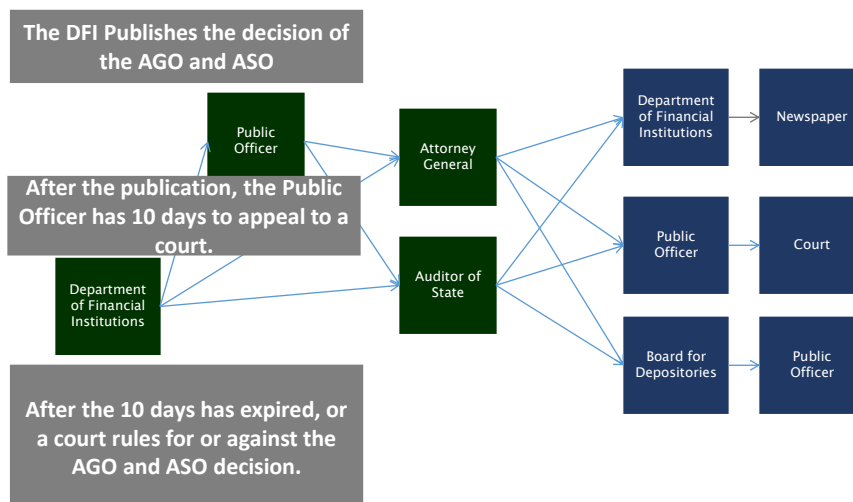


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Recovery Process for public funds in a closed depository



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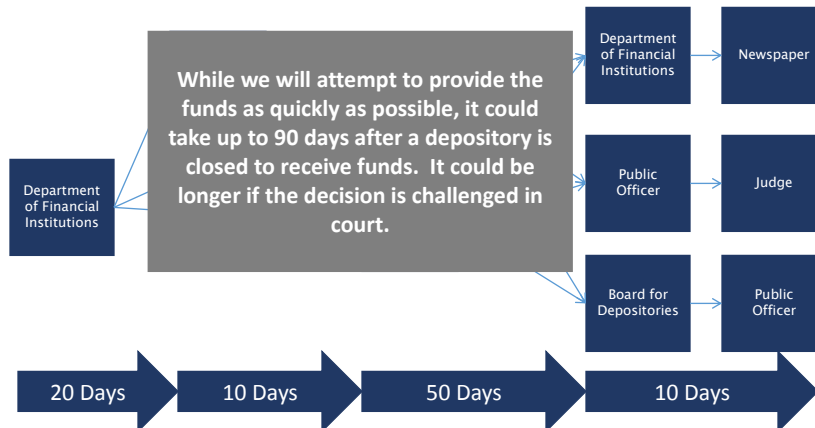


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Recovery Process for public funds in a closed depository



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Contact Information



Indiana State
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